

HEMOPHILIA FEDERATION OF AMERICA, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018



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HEMOPHILIA FEDERATION OF AMERICA, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hemophilia Federation of America, Inc.
Washington, D.C.

Report on Financial Statements

We have audited the accompanying financial statements of Hemophilia Federation of America, Inc.(a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hemophilia Federation of America, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Summarized Financial Information

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated October 19, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements for which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *The U.S. Department of Health and Human Services, Centers for Disease Control and Prevention*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 on our consideration of Hemophilia Federation of America, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hemophilia Federation of America, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
September 27, 2019

HEMOPHILIA FEDERATION OF AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018 with Comparative Amounts for December 31, 2017

| | 2018 | 2017 |
|-----------------------------------|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 2,299,167 | \$ 1,539,977 |
| Investments | 2,154,040 | 2,253,490 |
| Receivables | 1,842,886 | 1,584,383 |
| Prepaid Expenses | 33,833 | 44,333 |
| Total Assets | \$ 6,329,926 | \$ 5,422,183 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 213,090 | \$ 193,330 |
| Accrued Liabilities | 27,994 | 38,591 |
| Deferred Revenue | 2,102,510 | 1,399,480 |
| Deferred Rent Payable | 170,058 | 0 |
| Total Current Liabilities | 2,513,652 | 1,631,401 |
| NET ASSETS | | |
| Without Donor Restrictions | 3,571,664 | 3,668,014 |
| With Donor Restrictions | 244,610 | 122,768 |
| Total Net Assets | 3,816,274 | 3,790,782 |
| Total Liabilities and Net Assets | \$ 6,329,926 | \$ 5,422,183 |

See accompanying Notes to Financial Statements.

HEMOPHILIA FEDERATION OF AMERICA, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
With Comparative Amounts for the Year Ended December 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---------------------------------------------|-------------------------------|----------------------------|---------------------|---------------------|
| | | | 2018 | 2017 |
| PUBLIC SUPPORT AND REVENUE | | | | |
| Grants and Donations | \$ 3,130,817 | \$ 253,330 | \$ 3,384,147 | \$ 3,474,194 |
| Member Dues | 65,685 | 0 | 65,685 | 73,392 |
| Directory and Advertising | 514,601 | 0 | 514,601 | 914,992 |
| Symposium Revenue | 1,592,470 | 0 | 1,592,470 | 1,187,850 |
| Interest and Dividends | 26,948 | 0 | 26,948 | 63,886 |
| Gain (Loss) on Investments | (111,741) | 0 | (111,741) | 74,312 |
| Net assets released from Donor Restrictions | <u>131,488</u> | <u>(131,488)</u> | <u>0</u> | <u>0</u> |
| Total Revenue, Support, and Gains | <u>5,350,268</u> | <u>121,842</u> | <u>5,472,110</u> | <u>5,788,626</u> |
| EXPENSES AND LOSSES | | | | |
| Program Services Expense: | | | | |
| Program Services | 5,176,458 | 0 | 5,176,458 | 4,384,349 |
| Supporting Services: | | | | |
| Management and General | 156,837 | 0 | 156,837 | 189,757 |
| Fundraising and Development | 113,323 | 0 | 113,323 | 108,620 |
| Total Expenses | <u>5,446,618</u> | <u>0</u> | <u>5,446,618</u> | <u>4,682,726</u> |
| CHANGE IN NET ASSETS | (96,350) | 121,842 | 25,492 | 1,105,900 |
| Net Assets - Beginning of Year | <u>3,668,014</u> | <u>122,768</u> | <u>3,790,782</u> | <u>2,684,882</u> |
| NET ASSETS - END OF YEAR | <u>\$ 3,571,664</u> | <u>\$ 244,610</u> | <u>\$ 3,816,274</u> | <u>\$ 3,790,782</u> |

See accompanying Notes to Financial Statements.

HEMOPHILIA FEDERATION OF AMERICA, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
With Comparative Amounts for the Year Ended December 31, 2017

| | 2018 | 2017 |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 25,492 | \$ 1,105,900 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 0 | 1,912 |
| Realized and Unrealized (Gain) Loss on Operating Investments | 111,741 | (74,312) |
| (Gain) Loss on Sale of Property and Equipment | 0 | 3,993 |
| Changes in Operating Assets and Liabilities: | | |
| Receivables | (258,503) | (368,102) |
| Prepaid Expenses | 10,500 | (43,611) |
| Accounts Payable | 19,760 | (37,988) |
| Accrued Liabilities | (10,597) | (6,644) |
| Deferred Revenue | 703,030 | (28,010) |
| Deferred Rent Payable | 170,058 | 0 |
| Net Cash Provided by Operating Activities | 771,481 | 553,138 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sale of Investments | 135,315 | 51,541 |
| Purchases of Investments | (147,606) | (91,339) |
| Net Cash Used by Investing Activities | (12,291) | (39,798) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 759,190 | 513,340 |
| Cash and Cash Equivalents - Beginning of Year | 1,539,977 | 1,026,637 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 2,299,167 | \$ 1,539,977 |

See accompanying Notes to Financial Statements.

HEMOPHILIA FEDERATION OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
With Comparative Amounts for the Year Ended December 31, 2017

| | -- Supporting Services -- | | | -- Total Expenses -- | |
|----------------------------------|---------------------------|---------------------------|-------------------|----------------------|---------------------|
| | Program Services | Management and General | Fund- Raising | 2018 | 2017 |
| Wages and salaries | \$ 1,839,654 | \$ 33,925 | \$ 73,541 | \$ 1,947,120 | \$ 1,732,075 |
| Payroll taxes and benefits | 220,834 | 14,115 | 10,651 | 245,600 | 235,455 |
| Insurance | 7,349 | 7,514 | 82 | 14,945 | 9,189 |
| Program expenses | 565,454 | 0 | 0 | 565,454 | 476,160 |
| Specific assistance | 808,515 | 0 | 0 | 808,515 | 600,400 |
| Scholarships | 19,000 | 0 | 0 | 19,000 | 19,000 |
| Professional fees | 51,694 | 9,374 | 1,450 | 62,518 | 60,123 |
| Conference and meetings | 66,370 | 0 | 260 | 66,630 | 78,540 |
| Advertising | 70,730 | 0 | 0 | 70,730 | 55,648 |
| Supplies and postage | 205,199 | 4,109 | 14,419 | 223,727 | 263,892 |
| Dues and subscriptions | 95,189 | 1,513 | 9,690 | 106,392 | 60,886 |
| Taxes and licenses | 257 | 1,500 | 0 | 1,757 | 2,547 |
| Telephone | 41,599 | 2,938 | 373 | 44,910 | 35,258 |
| Rent, net of sublease income | 168,667 | 39,113 | 1,954 | 209,734 | 106,724 |
| Office expense | 5,988 | 16,398 | 0 | 22,386 | 34,053 |
| Travel | 912,162 | 2,421 | 903 | 915,486 | 735,607 |
| Equipment rental and maintenance | 95,464 | 23,329 | 0 | 118,793 | 129,889 |
| Depreciation | 0 | 0 | 0 | 0 | 1,912 |
| Loss on asset disposal | 0 | 0 | 0 | 0 | 3,993 |
| Miscellaneous | 2,333 | 588 | 0 | 2,921 | 41,375 |
| Total functional expenses | \$ 5,176,458 | \$ 156,837 | \$ 113,323 | \$ 5,446,618 | \$ 4,682,726 |

See accompanying Notes to Financial Statements.

HEMOPHILIA FEDERATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 1. Summary of Significant Accounting Policies

Nature of business and basis of presentation:

Hemophilia Federation of America, Inc. (the Organization) is a national nonprofit organization that assists and advocates for the bleeding community and numbers 43 chapters in its national network and is headquartered in Washington, D.C. The Organization receives the majority of its funding through private donations along with sponsorship income from a symposium it holds annually. The Organization promotes blood safety education, undertaking joint efforts with other bleeding-disorders and blood-safety groups. The following is a description of the various programs and initiatives:

Blood Brotherhood –

Blood Brotherhood is a national program for adult men, living with hemophilia or von Willebrand disease. It is designed to be a multi-venue outreach, to provide education and support, promote good health, and establish a sense of community for adult men.

Blood Sisterhood –

Blood Sisterhood is a national program for women and girls who have a doctor diagnosed bleeding disorder or who experience symptoms of a bleeding disorder. Blood Sisters receive education and stay connected and supported through face to face events at local partnering member organizations, educational webcasts and online story sharing.

Families –

The HFA Families program includes the Dads in Action, Moms in Action, and Kids in Action programs. Since 1997, Families has helped to serve an unmet need in the community both providing national and local educational training and resources to help families build strong bonds with their children, tools to improve advocacy skills, and offer a place for belonging and support.

Outreach Education -

HFA helps individuals with bleeding disorders and their caregivers learn how to become better advocates on their own behalf through in-person and online training, tool kits and web resources. Education and tools are provided to participate in monitoring, learning to self-advocate, and educating about federal and state public policies that impact the lives of people living with bleeding disorders. Social and print media are actively utilized to extend outreach efforts and bring community together.

Research –

HFA Research is a Community Centered, Community Focused, and Community Driven program aimed at improving the lives of bleeding disorders community members. Research topics are identified by the community population and focused on patient/community reported data. Data is collected nationally online as well as locally through HFA's 40+ member organizations across the country.

HEMOPHILIA FEDERATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 1. Summary of Significant Accounting Policies (continued)

Nature of business and basis of presentation (continued):

Helping Hands –

The Helping Hands program is designed to establish a rapid, non-invasive source of relief for emergency situations for individuals and families in the bleeding disorders community. Each application is given careful consideration to the personal circumstances, while ensuring a minimum invasion of privacy for community members. The program also assists individuals with the cost of medically necessary items and durable medical equipment.

Gears for Good Charity Bike Ride-

HFA encourages people with bleeding disorders to live healthy, active lifestyles. Gears for Good is a charity bike ride offered to raise funds for HFA's Helping Hands financial assistance program. Riders enjoy meeting new people and building stronger friendships along the way while raising funds for this important cause.

Symposium –

Symposium is an annual community-centered educational conference event that draws hundreds of patients and their families. This national educational meeting is a place where community members come together to share information, learn new advancements, and build a network of support.

Other Activities –

The Organization provides educational and artistic scholarships to members of the bleeding disorders community, a resource guide for consumers and maintains a website with information about its programs and services. The Organization also produces a newsletter called Dateline Federation, which is published quarterly. In addition, the Organization covers the cost of attendance to meetings of the Department of Health and Human Services, the Blood Products Advisory Committee of the FDA, the Advisory Committee on Blood Safety and Availability, and participation in conferences at the invitation of the Center for Disease Control.

Method of accounting:

The Organization follows the accrual basis of accounting wherein revenues and expenses are reflected in the period earned or incurred.

HEMOPHILIA FEDERATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 1. Summary of Significant Accounting Policies (continued)

Financial statement presentation:

The Organization reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used for the acquisition of long-lived assets are recognized as revenue with donor restrictions. The Organization reports expirations of donor's restrictions when the donated or acquired assets are placed in service. Donor –imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Cash and cash equivalents:

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity of three months or less. The Organization maintains cash balances at two financial institutions. Cash deposits periodically exceed the Federal Deposit Insurance Corporation (FDIC) limit. The Organization classifies its cash and cash equivalents held with its investment management firm as investments.

Accounts/grants receivable:

Receivables consist of amounts due from third-party funding sources for sponsorships, symposium revenues, and program services. They are stated at the amount management expects to collect from outstanding balances. The Organization does not provide an allowance for uncollectible accounts since none is considered necessary based on management's review of outstanding receivables, historical collection information and existing economic conditions.

HEMOPHILIA FEDERATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 1. Summary of Significant Accounting Policies (continued)

Property and equipment:

Property and equipment are stated at cost if purchased or fair market value at date of the gift if donated. All acquisitions of property and equipment and all expenditures for improvements and betterments over \$5,000 that materially prolong the useful lives of assets are capitalized. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in the change in net assets.

There was no property and equipment as of December 31, 2018 or 2017.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenditures:

The cost of providing program, management and general, and fundraising has been summarized on a functional basis in the statement of activities. Payroll and related expenses are allocated to program services, management and general, and fundraising based on time spent in each area. Direct expenses specifically identifiable with a program are charged to that program. All other indirect expenses are charged to programs based on management estimate.

Contributions and grants received and made:

Unconditional contributions and grants are recorded as revenue when received or earned net of allowances for uncollectible amounts and unamortized discounts. There were no allowances or unamortized discounts at December 31, 2018 or 2017.

Conditional contributions and grants received are not recorded until the conditions are met. There were no conditional contributions or grants received in 2018 or 2017.

Unconditional contributions and grants to others are recorded as expenses when made. Conditional contributions and grants to others are not recorded as expenses until the conditions have been met. The Organization made no conditional contributions or grants in 2018 or 2017.

HEMOPHILIA FEDERATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 1. Summary of Significant Accounting Policies (continued)

Donated services:

The financial statements do not include amounts for donated services, since the Organization pays for most services requiring specific expertise. However, many volunteers have donated their time to the Organization for its program services.

Deferred revenue:

Service fees and other revenue billed and/or collected during the year relative to an event or service performed in a subsequent year are recorded as deferred revenue.

Income taxes:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include any amounts for capital stock and corporate income taxes.

Subsequent events:

Management evaluated subsequent events through September 27, 2019, the date the financial statements were available to be issued.

Change in Accounting Principle:

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. Except for the disclosure of liquidity and available resources being reported only for the year ending December 31, 2018, the ASU has been applied retrospectively to all periods presented which had no effect on reported amounts of net assets with or without donor restrictions.

Note 2. Investments and Fair Value Measurements

The Organization follows fair value measurement accounting standards, which provide a comprehensive framework for measuring fair value and expands disclosures which are required about fair value measurements. Specifically, this accounting standard sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The levels within the hierarchy are as follows:

Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets;

HEMOPHILIA FEDERATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 2. Investments and Fair Value Measurements (continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Valuation derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2018.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|-------------------|---------------------|----------------|---------------------|
| Cash and Cash Equivalents | \$ 261,934 | \$ 1,130,689 | \$ 0 | \$ 1,392,623 |
| Fixed Income | 0 | 188,440 | 0 | 188,440 |
| Equities | 572,977 | 0 | 0 | 572,977 |
| | <u>572,977</u> | <u>0</u> | <u>0</u> | <u>572,977</u> |
| Total | <u>\$ 834,911</u> | <u>\$ 1,319,129</u> | <u>\$ 0</u> | <u>\$ 2,154,040</u> |

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2017.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------|----------------|---------------------|
| Cash and Cash Equivalents | \$ 0 | \$ 175,793 | \$ 0 | \$ 175,793 |
| Fixed Income | 896,877 | 543,683 | 0 | 1,440,560 |
| Equities | 501,661 | 0 | 0 | 501,661 |
| Real Estate Investment Trusts | 129,821 | 5,655 | 0 | 135,476 |
| | <u>129,821</u> | <u>5,655</u> | <u>0</u> | <u>135,476</u> |
| Total | <u>\$ 1,528,359</u> | <u>\$ 725,131</u> | <u>\$ 0</u> | <u>\$ 2,253,490</u> |

The Organization's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts disclosed at fair value in these financial statements.

Note 3. Lease Commitments

The Organization leases office facilities under a lease that expires in January 2021 with a base rent of \$7,812 plus annual increases as stipulated by the lease agreement. The Organization began subletting this space in April 2018.

HEMOPHILIA FEDERATION OF AMERICA, INC.

**NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Note 3. Lease Commitments (continued)

The Organization entered into a new lease beginning March 2018 for office facilities. The lease expires in May 2029, with monthly base rent of \$16,556, plus annual increases as stipulated by the lease agreement.

Estimated minimum lease payments required as of December 31 are as follows:

| | |
|------------|---------------------|
| 2019 | \$ 305,523 |
| 2020 | 313,662 |
| 2021 | 222,119 |
| 2022 | 218,402 |
| 2023 | 223,876 |
| Thereafter | 1,313,755 |
| | <u>\$ 2,597,337</u> |

Estimated minimum lease payments to be received on the subletting of the old office facilities as of December 31, 2017 are as follows:

| | |
|------|-------------------|
| 2019 | \$ 88,892 |
| 2020 | 92,006 |
| 2021 | 7,733 |
| 2022 | 0 |
| | <u>\$ 188,631</u> |

Total rent expense, net of \$70,254 of sublease income, was \$209,734 for 2018. Total rent expense was \$106,724 for 2017.

The new lease has deferred lease incentives and scheduled rent increases that the Organization has recorded rent expense on a straight line basis over the term of the lease. A deferred rent payable of \$170,058 at December 31, 2018 has been recorded, which represents the excess of rent expense over cash payments.

Note 4. Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the expiration of time. Net assets released from restrictions were \$131,488 and \$394,269 in 2018 and 2017, respectively.

Net assets with donor restrictions at December 31, are available for the following purposes:

| | 2018 | 2017 |
|----------------------------------|-------------------|-------------------|
| Programs: | | |
| Blood Brotherhood | \$ 5,000 | \$ 0 |
| Blood Sisterhood | 155,000 | 0 |
| Families | 10,000 | 0 |
| Helping Hands | 0 | 25,000 |
| General Advocacy/Outreach | 50,000 | 50,000 |
| Gears for Good Charity Bike Ride | 0 | 25,000 |
| Disaster Relief Funds | 24,610 | 22,768 |
| Total | <u>\$ 244,610</u> | <u>\$ 122,768</u> |

HEMOPHILIA FEDERATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 5 Pension Plan

The Organization maintains a 403(b) pension plan for eligible employees. Employees can defer up to 100% of their compensation, subject to limitations imposed by the Internal Revenue Code (IRC). The Organization contributed a matching contribution of 6% of participating employee wages. Employer contributions were \$61,620 and \$54,420 for the years ended December 31, 2018 and 2017, respectively.

Note 6. Potential Public Support Redetermination and Major Funding Sources

The Organization has entered into a contractual relationship with a governmental agency which provides, in part, for the potential audit and adjustment by the agency of payments made to the Organization. No governmental audits or proposed adjustments of payments are pending at this time.

The Organization received 6% and 10% of its total revenues from this governmental agency in 2018 and 2017, respectively. In 2018, 3% of its total accounts receivable balance is from this governmental agency. In 2017, 2% of its total accounts receivable balance is from this governmental agency.

The Organization received 53% and 41% of its total revenues from three private funding sources in 2018 and 2017, respectively. In 2018, 56% of its total accounts receivable balance is from these three private funding sources. In 2017, 42% of its total accounts receivable balance is from these three private funding sources.

In addition, the Organization received donations of \$28,000 and \$37,000 in 2018 and 2017, respectively, from organizations related to various board members.

Note 7. Comparative Amounts

The amounts shown for 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Note 8. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | |
|---------------------------|--------------------|
| Cash and cash equivalents | \$2,299,167 |
| Investments | 2,154,040 |
| Receivables | <u>1,842,886</u> |
| Total | <u>\$6,296,093</u> |

The organization receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. The organization manages its cash available to meet general expenditures following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations will continue to be met, ensuring the sustainability of the Organization. Financial assets of \$244,610 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

HEMOPHILIA FEDERATION OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

Note 9. Recent Account Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which clarifies the principles for recognizing revenue. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will supersede all existing U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. The FASB has issued several amendments to the original standard, which is effective for annual reporting periods beginning after December 15, 2017. Adoption is to be applied retrospectively. The Organization is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements and has not yet determined its method of adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct-financing leases. The standard is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies when a transfer of cash or other assets received and made qualifies as a contribution or an exchange transaction and establishes criteria for determining whether the asset provider is receiving commensurate value in return for those assets. The ASU also provides guidance for determining whether a contribution is conditional. For resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of ASU 2018-08 on the Organization's financial statements.

HEMOPHILIA FEDERATION OF AMERICA, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018**

| Federal CFDA Number | Cumulative Grant Award | Costs Incurred Prior To January 1, 2018 | Costs Incurred Year Ended December 31, 2018 | Cumulative Costs Incurred | Unexpended Funds on Expired Grants | Unexpended Funds on Unexpired Grants |
|---------------------------|------------------------------|--------------------------------------------------|------------------------------------------------------|---------------------------------|---------------------------------------------|-----------------------------------------------|
| 93.080 | \$ 550,000 | 89,200 | 342,707 | 431,907 | 118,093 | - |
| 93.080 | 550,000 | - | 1,730 | 1,730 | - | 548,270 |
| | <u>\$ 1,100,000</u> | <u>\$ 89,200</u> | <u>\$ 344,437</u> | <u>\$ 433,637</u> | <u>\$ 118,093</u> | <u>\$ 548,270</u> |

FEDERAL AWARDS

**U.S. Department of Health and Human Services,
Centers for Disease Control and Prevention,
Blood Disorder Program; Prevention,
Surveillance, and Research**
Budget period September 30, 2017 through
September 29, 2018

Budget period September 30, 2018 through
September 29, 2019

**HEMOPHILIA FEDERATION OF AMERICA, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018**

The accompanying schedule of federal awards includes the federal grant activity of Hemophilia Federation of America, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Government Auditing Standards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Organization has elected to not use the 10 percent de minimis indirect cost rate.

See Independent Auditor's Report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Hemophilia Federation of America, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hemophilia Federation of America, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hemophilia Federation of America, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hemophilia Federation of America, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hemophilia Federation of America, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2018-01 and 2018-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hemophilia Federation of America, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hemophilia Federation of America, Inc.'s Response to Findings

Hemophilia Federation of America, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses and corrective action plan. Hemophilia Federation of America, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



September 27, 2019
Milwaukee, WI

HEMOPHILIA FEDERATION OF AMERICA, INC.

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2018

A. Summary of Auditor's Results

- | | | |
|----|-------------------------------------------------------------------------------------|------------|
| 1. | Type of auditor's report issued? | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

B. Financial Statement Findings

2018-01: Significant deficiency – internal control:

Preparation of full disclosure financial statements

Condition: The Organization has not demonstrated the ability to prepare and assemble a full set of financial statements, with required disclosures, in accordance with accounting principles generally accepted in the United States of America (GAAP) without the assistance of us as your independent auditor.

Criteria: The Organization should be able to prepare their own GAAP financial statements and provide oversight of the financial reporting process.

Effect: A lack of internal oversight of the financial reporting process could affect the Organization's ability to prepare accurate financial statements.

Recommendation: This deficiency is not uncommon with small, nonprofit entities that do not have the financial resources to justify adding a financial professional to its accounting department who has the necessary knowledge and experience with GAAP and other financial reporting requirements. We did not consider this significant deficiency to be a material weakness since while the Organization has not demonstrated the ability to prepare and assemble a full set of GAAP financial statements, with required disclosures, their use of an outside accounting firm knowledgeable and capable of overseeing this service alleviates this deficiency being considered a material weakness.

Comments: The Organization concurs with the finding and recommendation.

This same finding was reported in the previous year.

HEMOPHILIA FEDERATION OF AMERICA, INC.

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2018**

2018-02: Significant deficiency – internal control:

Assistance with journal entries

Condition: During the course of performing our financial audit for the year ended December 31, 2018, we proposed and management accepted certain year-end adjustments that were material to the financial statements as a whole that we believe would not have been detected by the Organization's internal control structure without our review and analysis.

Criteria: The Organization should be able to provide oversight of the financial reporting process.

Effect: A lack of internal oversight of the financial reporting process could affect the Organization's ability to prepare accurate financial statements.

Recommendation: This deficiency is not uncommon with small, nonprofit entities that do not have the financial resources to justify adding a financial professional to its accounting department who has the necessary knowledge and experience with GAAP and other financial reporting requirements. We did not consider this significant deficiency to be a material weakness since the Organization's internal control structure requires management to consult with its outside CPA firm before the release of GAAP financial statements and obtain the necessary knowledge to understand the effects of any proposed adjustments.


Comments: The Organization concurs with the finding and recommendation.

This same finding was reported in the previous year.

C. Status of prior year findings

No action was required.

D. Other Issues

- | | | |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| 1. | Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. | Does the audit report show audit issues (i.e., material noncompliance, non-material noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>Government Auditing Standards</i> : U.S. Department of Health and Human Services | Yes |
| 3. | Was a management letter or other document conveying audit comments issued as a result of this audit? | No |
| 4. | Name and signature of partner |  Paul R. Sehmer, CPA |
| 5. | Date of report | September 27, 2019 |

CORRECTIVE ACTION PLAN

CliftonLarsonAllen, LLC
December 31, 2018

Section I - Internal Control

Preparation of full disclosure financial statements

- A. Comments on Findings and Recommendation:
The Organization agrees with the auditor's finding and recommendation.
- B. Actions Taken or Planned:
The Organization will continue to not allow a GAAP basis financial report to be issued to any outside users without the review or analysis of the financial statements by a qualified CPA firm and we will continue to use a qualified accounting firm knowledgeable of nonprofit financial statements to oversee this service.

Assistance with journal entries

- A. Comments on Findings and Recommendation:
The Organization agrees with the auditor's finding and recommendation.
- B. Actions Taken or Planned:
The Organization will continue to consult with a qualified CPA firm and obtain the necessary knowledge to understand the effects of any proposed adjustments that may result.

Section II - Compliance

No matters noted.

Hemophilia Federation of America, Inc.

By: Sharon Meyers
Sharon Meyers, Interim President & CEO

Digitally signed by Sharon Meyers
DN: cn=Sharon Meyers, o=Hemophilia Federation
of America, ou=Development,
email=s.meyers@hemophiliefed.org, c=US
Date: 2019.09.27 15:24:14 -06'00'